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FOR IMMEDIATE RELEASE

July 20, 2004

ERNST & YOUNG AGREES TO PAY UNITED STATES \$1.5 MILLION FOR SETTLEMENT OF FALSE CLAIMS ACT CASE

PHILADELPHIA – United States Attorney Patrick L. Meehan announced today that national accounting firm Ernst & Young has agreed to pay the government \$1.5 million in order to settle claims that Ernst & Young provided improper advice to nine hospitals that resulted in those hospitals submitting false claims to the Medicare program for outpatient clinical laboratory tests.

The settlement resolves the complaint filed by the United States Attorney's Office in United States District Court for the Eastern District of Pennsylvania on January 5, 2004. The complaint alleged that Ernst & Young's health care consulting division knowingly caused nine hospitals to submit more than 200,000 claims for payment under the Medicare Program during the period from 1991 through 1997 for certain outpatient blood tests which were performed but which were not medically necessary. Ernst & Young has denied that it caused any false or inaccurate claims to be submitted, or that it concealed or failed to disclose any false claims.

The complaint alleged that Ernst & Young not only failed to discontinue its improper Medicare advice, but also prepared reports to the United States which knowingly failed to disclose the improper conduct of the client hospitals who had relied upon Ernst & Young for analysis and reporting of their improper billing. This civil settlement resolves claims of the United States against Ernst & Young under the False Claims Act, 31 U.S.C. §§ 3729-3733 as well as state law claims asserted in the complaint.

"This settlement should provide a wake-up call not only to health care providers but also to the consultants on whose advice they rely," said Meehan. "It is the duty of an independent reviewer to be alert to abuse and not to remain, as the complaint alleges, 'deliberately ignorant.' Those who market themselves as experts have the responsibility to provide accurate information. The integrity of the Medicare system depends on it."

This case was handled in United States Attorney's Office by Associate United States Attorney James G. Sheehan, Assistant United States Attorney Paul G. Shapiro, Assistant United States Attorney Susan R. Becker, and U.S. Attorney's Office consultant, Ann Powers.

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